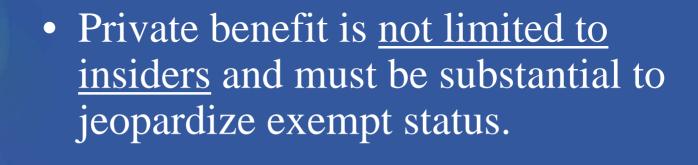




Jeopardizing Exemption

- Inurement & Private Benefit
- Political Campaign Activity
- Substantial Lobbying
- Substantial Unrelated Business
- Failure to Comply with Reporting Obligations

Private Benefit & Inurement

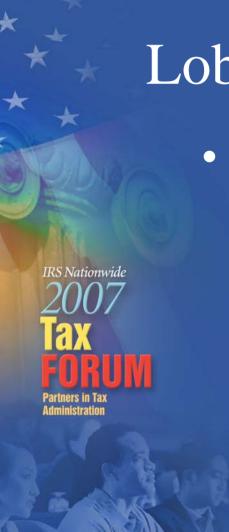


• Inurement to <u>insiders</u> such as board members, officers, key employees, etc., is absolutely prohibited.



- Excise taxes directed at insiders & organization managers
- Maximum penalties for organization managers recently doubled
- Exempt organizations must disclose transaction
- More info? "Lifecycle of Public
 Charity" @ www.irs.gov/charities





Lobbying Activities

- Attempting to influence legislation through:
 - Directly contacting members of a legislative body
 - Encouraging the public to contact members of a legislative body
 - Advocating a position on a public referendum



- Measured by:
 - "Substantial Part Test" all activities considered

OR

- "Expenditure Test"
 - Considers expenditures only
 - Organization must elect
 - Churches cannot elect





- Direct and indirect candidate support:
 - Contributions
 - Participation in campaigns
 - Public statements for/against a particular candidate
- Absolutely prohibited!





- No partisan comments in organization's publications or at official functions
- Outside the organization, leaders should clearly indicate that comments are personal
- Candidate speeches -if
 - Equal opportunity to all
 - Org. does not support or oppose
 - No political fundraising



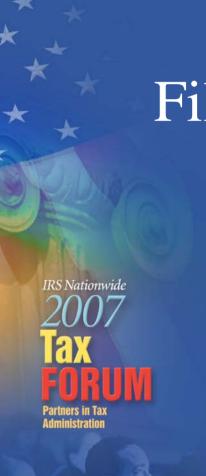




- Trade or business activity
- Regularly carried on
- Not substantially related to organization's exempt purpose

 An organization with substantial UBI activities will FAIL the operational test





Filing Requirements

- Depends on organization's gross receipts
- Most public charities have to file Form 990 EZ, Form 990 or Form 990-N
- Failure to file may result in penalties and/or revocation of tax
 exempt status

Form 990-N (e-postcard)



- For tax years beginning after December 31, 2006, organizations with gross receipts normally less than \$25,000 must file Form 990-N
- Can only be filed electronically
- Automatic revocation if not filed for three consecutive years



More Information . . .

- IRS Web site: www.irs.gov/charities
- Stay Exempt Online Workshop: www.stavexempt.org
- TE/GE Customer Account Services: (877) 829-5500
- Subscribe to EO Update:
 - -eoupdate@subscribe@lists.qai.irs.gov